FIRST 5 BUTTE COUNTY CHILDREN & FAMILIES COMMISSION

Sustainability and Long Term Financial Plan

A coordinated approach to sustaining early childhood prevention in Butte County

A plan for long term sustainability

The Commission's strategy brings together financial stewardship, effective services, organizational capacity, and a coordinated prevention system.

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FOUR PILLARS OF SUSTAINABILITY

01 **Financial** sustainability

02 **Program** sustainability

03 **Organizational** sustainability

04 **Systems** sustainability

Introduction

In November 1998, California voters approved Proposition 10, the Children and Families Act, establishing a statewide commitment to improving outcomes for young children by investing tobacco tax revenues in prevention, early childhood development, and family support. The Act created First 5 California and a network of 58 county commissions, each charged with assessing local needs and making strategic investments to improve the health, development, and well-being of children from the prenatal period through age five.

For more than 25 years, the First 5 Butte County Children and Families Commission (Commission) has served as a strategic leader, funder, convener, and steward of the county's early childhood prevention system. Working in partnership with families, community organizations, healthcare providers, education, and public agencies, the Commission has evolved beyond funding individual programs to strengthen an integrated system of support that helps children and families thrive.

When California voters approved Proposition 10 in 1998, they understood that tobacco tax revenues would decline over time as smoking rates decreased- a public health outcome the measure was intended to achieve. That decline has accelerated in recent years, including following California's 2022 ban on most flavored tobacco products.

As a result, annual Proposition 10 revenues distributed to First 5 commissions decreased statewide from $342 million in 2015 to $245 million in 2025. This statewide decline is reflected locally, with the Commission's Proposition 10 and Proposition 56 revenues declined from $1.73 million in FY 2020-21 to $1.05 million in FY 2025-26, a 39 percent reduction in just five years.

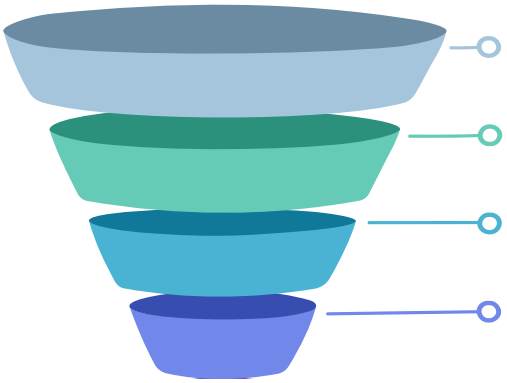
Like all First 5 commissions, Butte County faces the long-term decline of Proposition 10 revenues. This Sustainability and Long-Term Financial Plan outlines the Commission's strategy for adapting to these changing fiscal realities while ensuring that future investments continue to improve outcomes for children and families. The plan reflects the Commission's commitment to responsible stewardship, organizational resilience, and building a sustainable prevention system that will benefit Butte County for decades to come.

39% **Decline in Commission Proposition 10 and Proposition 56 revenues from FY 2020-21 to FY 2025-26.**

Targeted Spending Reductions

Over the past several years, the Commission has intentionally reduced expenditures, increased operational efficiency, and strengthened its focus on investments that produce measurable community impact. These actions have also supported the responsible use of accumulated fund balance while positioning the organization for long-term impact.

Key actions include:

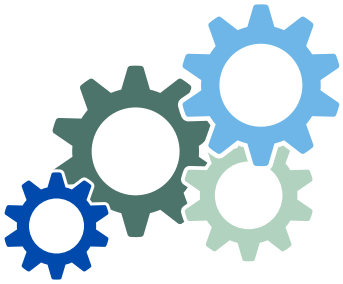


Focused Cost Containment

- Refined the Commission's strategic focus around an integrated prevention system with measurable outcomes.
- Concentrated investments within the First 5 Family Center Network as the Commission's primary service delivery strategy.
- Concluded funding for programs and initiatives that were not integrated into the Family Center system of services.
- Discontinued funding mini-grants, professional development grants, community trainings, and event sponsorships.

Operational Efficiency

- Lowered indirect administrative costs paid to the County.
- Reduced rent and utility expenses.
- Decreased communications and technology costs.
- Reduced conference and travel allocations.



While these actions have slowed the growth in expenditures, they are not sufficient to offset the continued decline in tobacco tax revenues. The Commission now faces more difficult decisions that will require reductions in both community investments and organizational capacity within the next five years.

The objective of this plan is not simply to reduce spending. Rather, it is to preserve the Commission's greatest strengths by:

- Protecting investments that produce the greatest benefit for young children and families.
- Maintaining the organizational capacity necessary to administer complex funding sources and community partnerships.
- Diversifying revenues to reduce reliance on Proposition 10 funding.
- Positioning the Commission as the backbone for an integrated countywide prevention system.
- Ensuring the reductions occur in a deliberate, transparent, and financially responsible manner.

01 Financial Sustainability

OUR APPROACH

The Commission is committed to maintaining long-term financial stability by aligning expenditures with projected revenues and planned fund balance investment, while preserving its ability to improve outcomes for young children and families. Recognizing the continued decline in tobacco tax revenues, the Commission has adopted a proactive approach to financial stewardship that emphasizes careful planning rather than reactive reductions. Through long-term forecasting, regular monitoring of revenues and expenditures, and disciplined reserve management, the Commission will make thoughtful adjustments over time to ensure its financial resources remain sustainable and available to support future generations of children.

Financial sustainability also requires reducing reliance on a single funding source. While Proposition 10 funding remains the Commission's foundation, the Commission has intentionally diversified its revenue portfolio by securing state, county, and private funding that aligns with its mission and strategic priorities. The Commission will continue to pursue grants, contracts, philanthropic investments, government reimbursement opportunities, and collaborative funding partnerships that strengthen the county's prevention system without creating long-term financial obligations that cannot be sustained. Each new funding opportunity will be evaluated for its strategic fit, operational feasibility, and potential to advance the Commission's mission.

STRATEGIES

The following are examples of current and identified funding diversification strategies, and not intended to be a comprehensive list nor a commitment of ongoing funding:

- **Child Abuse Prevention Council** (CAPC) Partner with the Department of Employment and Social Services (DESS) to receive Office of Child Abuse Prevention funds to coordinate local CAPC activities. *(current)*
- **Medi-Cal Community Health Worker (CHW) benefit** for eligible services- Bill Partnership HealthPlan for preventive health services provided by Family Center and Commission staff including: health education and care coordination. *(testing)*
- **Families First Prevention Services (FFPS) Block Grant-** Partner with DESS to receive FFPS Block Grant funds to support Motivational Interviewing as a key prevention service provided at Family Centers. *(current)*
- **Partnership HealthPlan Community Reinvestment Funds**- California requires managed care plans to reinvest a portion of their annual net income into local non-contract programs addressing social drivers of health. *(available in 2027)*
- **Medi-Cal Administrative Activities (MAA)**- Federal program that reimburses local government agencies for the administrative costs of running and supporting health programs. Allowable activities include client outreach, application assistance, and care coordination. *(timeline unknown)*

02 Program Sustainability

OUR APPROACH

The Commission is committed to sustaining a high-quality, integrated system of prevention services through the First 5 Family Center Network. As Proposition 10 revenues decline, sustainability requires the Commission and its funded partners to share responsibility for maximizing the impact of limited resources. This includes maintaining strong fiscal stewardship, controlling administrative costs, and using staffing and other resources efficiently across the Network. The Commission will work with partners to identify opportunities for shared staffing, coordinated service delivery, and expanded access in underserved communities, ensuring that available resources are directed where they can provide the greatest benefit to children and families.

Program sustainability also depends on investing in evidence-based and evidence-informed services that demonstrate measurable impact and have the potential to be supported by other public or private funding sources. The Commission will establish clear expectations for program performance, administrative efficiency, and cost-effectiveness, using individual partner data to guide future investments. As funding declines, reductions will be based on demonstrated performance, family reach, community need, and responsible fiscal management rather than applied uniformly across funded partners.

STRATEGIES

- **Provide training, technical assistance, and performance support** to ensure funded partners maintain the skills, qualifications, and service quality required to deliver funded programs.
- **Work collaboratively with partners to maximize staffing capacity, share resources, reduce duplication, and expand service delivery** across the Network, including in underserved and rural communities.
- **Establish clear fiscal expectations, administrative cost parameters, and accountability measures** that prioritize direct services and responsible use of Commission resources.
- **Monitor individual partner performance,** including family reach, service outcomes, staffing utilization, and cost-effectiveness, to inform funding decisions and continuous quality improvement.
- **Prioritize investments** in services that align with the Commission's strategic priorities and can leverage or transition to other sustainable funding sources.

03 Organizational Sustainability

OUR APPROACH

The Commission's responsibility is not only to invest resources, but to maximize the return on those investments through disciplined stewardship, strong partnerships, and continuous improvement. Its long-term impact depends on maintaining the leadership, expertise, and operational capacity needed to manage complex funding streams, evaluate outcomes, and build strong community partnerships. As Proposition 10 revenues decline, the Commission will prioritize the core administrative functions that enable it to serve as a trusted leader and backbone organization for early childhood prevention efforts in Butte County.

The Commission also recognizes that its organizational structure must evolve alongside changing financial realities. The 10-Year Financial Plan anticipates a gradual reduction in staffing, from five to four positions in FY 2030–31 and from four to three in FY 2033–34. Through planned attrition, succession planning, cross-training, and operational efficiencies, the Commission will work to achieve these reductions while preserving essential expertise and continuity of operations. This deliberate approach balances fiscal responsibility with the organizational capacity necessary to leverage new funding opportunities and sustain an integrated prevention system.

STRATEGIES

- Include appropriate staff and operational costs in future grants and revenue agreements, rather than directing all external funding exclusively to program services.
- Maximize allowable indirect cost recovery from external funding sources to support essential Commission operations.
- Implement succession planning, cross-training, and streamlined business processes to maintain organizational effectiveness with fewer staff.
- Evaluate vacancies as they occur and identify the minimum staffing levels and essential functions necessary to maintain effective operations.
- Pursue opportunities to assume additional funded responsibilities that align with the Commission's mission and help offset personnel and operating costs.

04 Systems Sustainability

OUR APPROACH

The Commission recognizes that lasting improvements in child and family well-being require more than individual programs. They depend on a coordinated system of prevention that is accessible, integrated, and sustainable. As Proposition 10 revenues decline, the Commission will continue strengthening partnerships among public agencies, healthcare providers, schools, community-based organizations, and philanthropic partners to align investments, share resources, and reduce duplication. Through coordinated planning, common standards, and shared accountability, the Commission will help ensure that families can access the services and supports they need, regardless of where they enter the system.

Sustaining this system requires a shared commitment to its long-term success. While community partners provide essential direct services, the Commission serves as a system steward, developing funding partnerships, reimbursement infrastructure, and administrative capacity that support the Network as a whole. New funding and reimbursement opportunities will be pursued and structured to strengthen the collective prevention system, rather than solely the financial position of individual organizations. By aligning resources, advancing supportive policies, and creating opportunities for shared investment, the Commission will help ensure that Butte County's prevention system remains effective and sustainable beyond Proposition 10 funding.

STRATEGIES

- Partner with the First 5 Association and other statewide organizations to **advocate for dedicated early childhood and prevention funding,** including state budget appropriations, policy initiatives, and potential ballot measures.
- **Advocate for the inclusion of early childhood prevention services in existing and emerging state funding streams,** including Behavioral Health Services Act funding and home visiting initiatives.
- **Explore opportunities to align Family Center services with the California Community Schools Partnership Program** and other initiatives that integrate education, health, behavioral health, and family support services.
- **Evaluate the feasibility of a local ballot measure to** establish a dedicated funding source for early childhood and family prevention services.
- Expand eligibility for philanthropic and other restricted funding opportunities through **strategic administrative partnerships with nonprofit organizations or exploration of an appropriate nonprofit structure.**
- **Develop funding and reimbursement agreements** that support shared infrastructure, coordinated services, and reinvestment in the countywide prevention system.

Fund Balance and Prudent Reserve

As part of its annual fiscal and compliance audit, the Commission provides transparent reporting about its annual investments and the condition of its Fund Balance. The Commission adopted a Fund Balance policy in 2021 to provide investment principles, transparency for the community, and guidance to staff and commissioners regarding the purpose and eligible use of the Fund Balance. The Commission identified that the sum of 2.5 years of tobacco tax revenue would be the calculation to define the Target Fund Balance, or the amount the Commission would not spend below except under specific pre-determined circumstances. As a result of the Fund Balance Policy, a process for community to request funds was articulated, and a Strategic Investment procurement in the amount of $500,000 was released in 2022. In 2023, the Commission leveraged its Fund Balance to request a philanthropy investment of $3M from the Butte Strong Fund at the North Valley Community Foundation and launched the First 5 Family Center Network. As a function of the match-fund condition, the Commission committed its $3M unassigned Fund Balance into a long-term investment for First 5 Family Centers. The Fund Balance is utilized annually to shore up support for First 5 Family Center services and serves as a budget stabilizer, resulting in planned annual transfers from the Fund Balance into the Commission's approved budget in order to fund Family Center contracts and investments.

In light of the Commission's ongoing commitment to the First 5 Family Center Network and the inevitability of increasing internal and grantee operating costs, coupled with decreasing tobacco revenue, the Commission will update its Fund Balance Policy to reflect its commitment to First 5 Family Centers as well as organizational sustainability. As part of the policy update, the Commission will revisit all aspects of Fund Balance definition as well as define a funding floor for a Prudent Reserve.

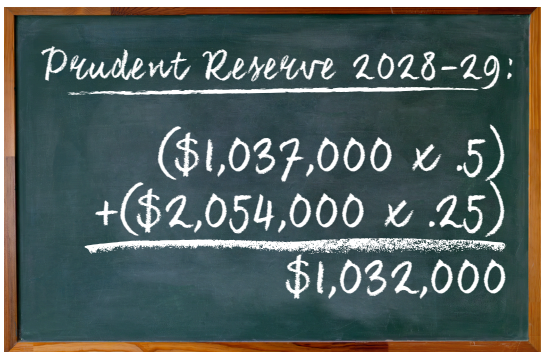
Prudent Reserve

The Commission shall maintain a minimum fund balance for the purpose of cash flow maintenance while waiting for revenues, and to establish a baseline administrative support in the event that operations had to be wound down.
The Commission shall apply the following formula to determine its Prudent Reserve:

Six months of operations + 25% of contracted obligations = prudent reserve

This formula shall be applied to the highest estimated budget available in an adopted LTFP.

For example, in this plan, the Prudent Reserve would be established based on the 2028-29 budget year, and would be calculated as follows:



Long Term Financial Plan

The Commission is required to adopt a Long-Term Financial Plan, and align its policies with principles, assumptions and strategies. The plan is a means to develop a spending plan to support the Commission's Strategic Plan and serve as the guideline for future grant making and investments, outlining the Commission's ability to fund effective programs, new initiatives, and match available funding for the next five years. Commission action is required to substantively alter the LTFP and to authorize, mandate or appropriate funding.

Financial Plan Assumptions and Principles

The Commission's LTFP is based on projected tobacco tax revenues provided by First 5 California, which anticipate continued annual declines in tobacco tax revenues as tobacco use decreases. Revenue projections currently estimate an average annual decline of approximately 6 percent through FY 2028-29, with the rate of decline slowing to 3 percent thereafter. The LTFP is also based on assumptions of certain ongoing funding, predictions of interest income, and aspirations of future funding. Expenditure estimates are based on county personnel and cost trends, including step increases and negotiated cost-of-living increases. Estimates are also based on assumed cost of living increases for contracted partners, as well as historical contract-spend data. Data in the LTFP should not be construed as funding commitments or authorized personnel decisions. The LTFP is reviewed and updated annually to reflect actual revenues and expenditures, revised revenue forecasts, and changes in the Commission's financial outlook. The detailed financial projections are presented in the financial outlook graphic on page 12.

The Long-Term Financial Plan is guided by the following financial management principles:

- Maximize investments in direct services for children and families while maintaining long-term fiscal stability.
- Align expenditures with projected revenues through proactive, multi-year financial planning.
- Maintain a strong commitment to evaluation and performance measurement to guide investment decisions.
- Limit administrative expenditures to no more than 15 percent of the Commission's annual budget.
- Preserve the capacity to support multi-year initiatives that advance the Commission's strategic priorities.

Financial Assumptions

The following assumptions are applied:

Economic Assumptions

- A decline in Proposition 10 funds annually, as projected by First 5 California based on information from the California Department of Finance.
- Approximately 1% annual interest earnings.
- A 5% annual increase in salaries and benefits and associated indirect charges paid to the Department of Employment and Social Services accommodating the County structure of step increases, negotiated cost of living adjustments, and longevity pay.

Policy Assumptions

- A maximum level of funding each year for programs, grants, or initiatives considering declining revenues.
- Administrative costs are minimized and reduced whenever possible and reasonable.
- Evaluation is funded annually at no more than 10% of annual programmatic costs.
- A conservative approach is used.

Funding and Expenditure Assumptions

- Revenue from County partners remains stable with no material increases or decreases.
- County personnel and operation costs increase at predicted rates.
- Contractor inflation caps at 4%.
- Contractors underspend annual contracts at predicted rates.
- Beginning in Fiscal Year 2030-31 the Commission will secure additional $500,000 annual funding from a currently undetermined revenue source.
- Medi-Cal billing will be negligible.
- The Commission will maintain its Prudent Reserve through a combination of programmatic and operations reductions.

First 5 Butte County Children and Families Commission

10 Year Financial Plan | FY 2026–27 to FY 2035–36

Projected Revenues

In thousands • rounded to the nearest thousand

Fiscal Year	Tobacco Taxes	Interest	County Contributions	Grants	Other Potential Revenues	Total Revenues
2026-27	$928	$77	$1,282	$538		**$2,824**
2027-28	$900	$76	$850	$500		**$2,326**
2028-29	$877	$68	$850	$500		**$2,295**
2029-30	$859	$60	$850	$470		**$2,239**
2030-31	$816	$52	$850		$500	**$2,218**
2031-32	$775	$44	$850		$500	**$2,169**
2032-33	$737	$38	$850		$500	**$2,125**
2033-34	$700	$31	$850		$500	**$2,081**
2034-35	$665	$26	$850		$500	**$2,041**
2035-36	$631	$21	$850		$500	**$2,002**

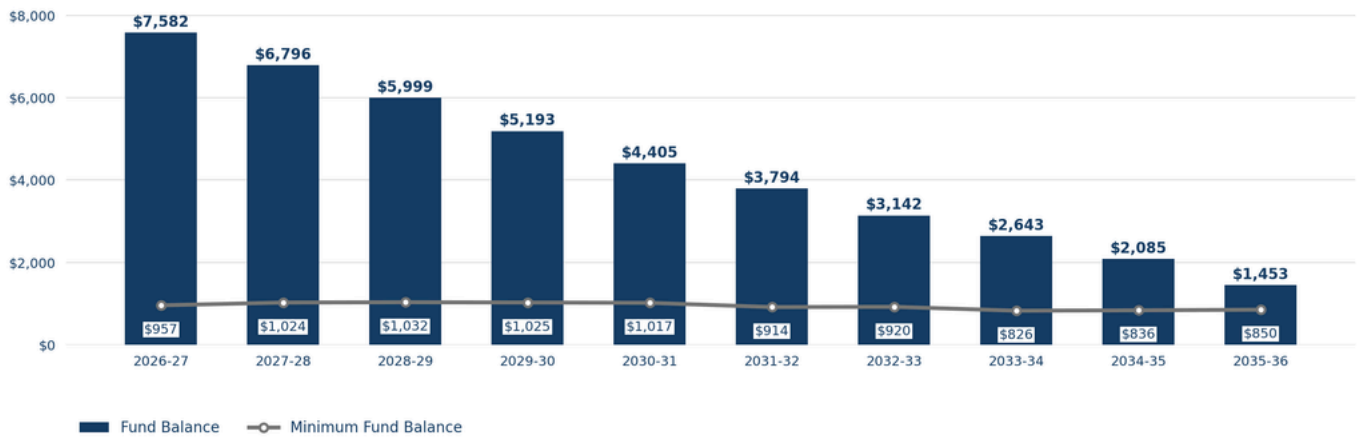
Projected Expenditures

After Sustainability Actions • in thousands, rounded

Fiscal Year	Personnel	Operations	Programs – Strong Families	Evaluation	Total Expenditures
2026-27	$839	$53	$1,954	$87	**$2,934**
2027-28	$895	$89	$2,038	$90	**$3,112**
2028-29	$948	$89	$1,962	$93	**$3,091**
2029-30	$962	$91	$1,896	$95	**$3,045**
2030-31	$967	$96	$1,845	$98	**$3,006**
2031-32	$777	$99	$1,803	$101	**$2,780**
2032-33	$800	$102	$1,770	$104	**$2,776**
2033-34	$618	$105	$1,750	$107	**$2,580**
2034-35	$637	$108	$1,744	$111	**$2,599**
2035-36	$656	$112	$1,753	$114	**$2,635**

Projected Ending Fund Balance

In thousands



Staffing changes

Number of Positions

5 → 4 → 3

2026–27 2031–32 2033–34

Planned, phased staffing reductions